

CIMB Group (CIMB MK)

Holding Steady

Highlights

- Despite a slight uptick in 3Q25 delinquency rates, management remains confident in sustaining its net credit cost guidance with sufficient management overlays in place.
- The non-interest income momentum is promising, driven by strong trading and forex income, pickup in loan syndication fees, and stable investment banking income.
- Maintain BUY and target price of RM8.25 (1.14x 2026F P/B, 11.2% ROE). The stock remains a sector laggard, down 10% ytd vs the KLFIN Index's 3% decline. This has compressed valuations to an appealing 1.1x 2026 PBV, similar to the sector average of 1.1x despite generating a higher ROE of 11% vs the sector's 10%.

Analysis

- NIM should start to recover from 4Q25 onwards.** Group NIM is expected to decline in 3Q25 following the OPR cut in Jul 25. Heading into 4Q25, pressure from lower SORA rates on Singapore NIM is likely to be offset by an improving NIM outlook in Indonesia, driven by better liquidity conditions, and by deposit repricing benefits in Malaysia after the OPR cuts. A key factor to monitor remains the intensity of year-end deposit competition in Malaysia, which has thus far remained relatively rational. We maintain our 2025 NIM compression forecast of 5bp, consistent with management's guidance of -5 to -8bp, and project a modest 2bp recovery in group NIM in 2026.
- Asset quality remains manageable.** A marginal uptick in delinquency rates was observed in 3Q25, primarily driven by the auto segment in Malaysia. Management indicated that this trend appears seasonal rather than systemic.
- Credit cost guidance intact.** Despite the slight increase in delinquencies, management remains confident in maintaining its 2025 net credit cost guidance of 25-35bp, consistent with our 28bp assumption. This confidence is underpinned by a healthy loan loss coverage ratio of 101% (vs the pre-pandemic average of 80%) and management overlays totalling RM600m earmarked to cushion potential macro risks arising from US tariff impacts — with approximately RM400m allocated to the consumer segment and RM200m to SMEs. In fact, management alluded to a sequential improvement in 3Q25 net credit cost from 2Q25's 32bp (1H25: 29bp).
- Management remains cautiously optimistic on 2H25,** expecting business confidence to recover as greater clarity emerges on US tariff developments. This should, in turn, support higher loan drawdowns from its healthy wholesale banking pipeline. Additional upside may arise from improving liquidity conditions in Indonesia following recent rate cuts, which are expected to ease funding cost pressures and support NIM. Meanwhile, sustained momentum in non-interest income — driven by robust trading and forex gains — together with incremental cost efficiencies from initiatives implemented in 1H25, is likely to underpin earnings resilience in 2H25.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net interest income	11,087	11,367	11,439	12,257	13,296
Non-interest income	5,670	6,197	6,437	6,803	7,207
Net profit (rep./act.)	6,985	7,731	7,811	8,490	9,236
Net profit (adj.)	6,985	7,731	7,811	8,490	9,236
EPS (sen)	65.7	71.8	72.5	78.8	85.8
PE (x)	11.2	10.3	10.2	9.3	8.6
P/B (x)	1.1	1.1	1.1	1.0	1.0
Dividend yield (%)	5.8	6.4	5.3	5.8	6.3
Net int margin (%)	2.33	2.30	2.25	2.27	2.27
Cost/income (%)	46.9	46.7	48.2	48.0	47.5
Loan loss cover (%)	97.0	105.3	111.8	112.9	116.7
Consensus net profit	-	-	7,802	8,227	8,833
UOBKH/Consensus (x)	-	-	1.00	1.03	1.05

Source: CIMB Group, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM7.37
Target Price	RM8.25
Upside	11.9%

Analyst(s)

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Stock Data

GICS Sector	Financials
Bloomberg ticker	CIMB MK
Shares issued (m)	10,770.7
Market cap (RMm)	79,380.3
Market cap (US\$m)	18,795.8
3-mth avg daily t'over (US\$m)	30.3

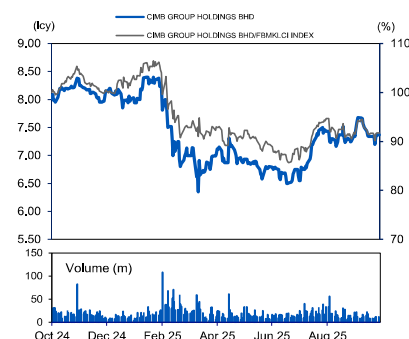
Price Performance (%)

52-week high/low		RM8.47/RM6.21		
1mth	3mth	6mth	1yr	YTD
1.1	10.0	5.6	(9.3)	(10.1)

Major Shareholders

	%
Khazanah Nasional Bhd	21.4
EPF	17.9
Kumpulan Wang Persaraan Diperbadankan	6.4
FY25F NAV/Share (RM)	6.8
FY25F CAR Tier -1 (%)	15.3

Price Chart



Source: Bloomberg

Company Description

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups.

- **Non-interest income outlook remains promising.** On a sequential basis, 3Q25 non-interest income is expected to record a sequential improvement, supported by stronger trading and foreign exchange gains. Management also indicated a slight uptick in loan syndication fees, while investment banking income is expected to remain stable, underpinned by a healthy deal pipeline.
- **Capital remains healthy.** CIMB Group's (CIMB) CET1 ratio stood at 14.7% as of end-2Q25. While management has not indicated any plans for additional special dividends in 2025 or beyond, it reiterated its commitment to maintaining an efficient and balanced capital structure. Our forecasts assume a recurring dividend payout ratio of 55%, implying an attractive yield of approximately 5.3%. The group's CET1 ratio is also expected to receive a further uplift from the full implementation of Basel IV.
- **2025 guidance retained.** Management's key 2025 guidance is as follows: a) ROE: 11.0-11.5%, b) loans growth: 5-7%, c) net credit cost: 25-35bp, and d) NIM: -5 to -8bp.

Valuation/Recommendation

- **Maintain BUY and target price of RM8.25 (1.14x 2026F P/B, 11.2% ROE).** The stock remains a sector laggard, down 10% ytd vs the KLFIN Index's 3% decline. This has compressed valuations to an appealing 1.1x 2026 PBV, similar to the sector average of 1.1x despite generating a higher ROE of 11% vs the sector's 10%. The ytd sell-down partially stemmed from tighter liquidity in Indonesia pressuring CIMB Niaga's NIMs, but conditions began easing, with the resumption of Fed rate cuts set to further improve liquidity.

Earnings Revision/Risk

- No revision to earnings.
- **Risks.** Key downside risks include a sharper-than-expected depreciation of the rupiah, which could weigh on revenue translation from CIMB Niaga; weaker-than-anticipated asset quality trends; and heightened deposit competition, which may exert further pressure on NIM.

Share Price Catalyst

- Stronger-than-expected trading income.
- Higher-than-expected NIM.

Environmental, Social, Governance (ESG) Updates

Environmental

- **Green loan commitment.** To provide RM30b in sustainable financing by 2040.
- **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.

Social

- **Board and upper management gender diversity.** Maintained 30% female directors on the Board.
- **Enhanced financial inclusion to B40.** Provide greater financial inclusion (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.

Governance

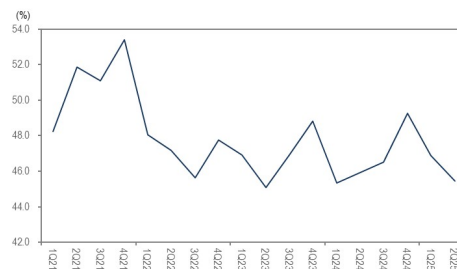
- **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60%.

Key Assumptions

(%)	2025F	2026F	2027F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	28.0	25.0	25.0
ROE	10.9	11.2	11.5

Source: CIMB Group

Cost To Income Ratio Trend



Source: CIMB Group

Roe VS PBV



Source: CIMB Group

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Interest income	26,630	27,462	29,237	31,356
Interest expense	(15,263)	(16,022)	(16,979)	(18,060)
Net interest income	11,367	11,439	12,257	13,296
Fees & commissions	2,349	2,490	2,789	3,124
Other income	3,295	3,394	3,462	3,531
Non-interest income	552	552	552	552
Income from Islamic banking	4,741	5,025	5,327	5,646
Total income	22,304	22,901	24,387	26,149
Staff costs	(6,347)	(6,855)	(7,407)	(8,005)
Other operating expense	(4,073)	(4,190)	(4,302)	(4,406)
Pre-provision profit	11,884	11,855	12,679	13,738
Loan loss provision	(1,369)	(1,292)	(1,205)	(1,265)
Other provisions	(135)	(150)	(149)	(148)
Associated companies	19	73	74	75
Other non-operating income	0	0	0	0
Pre-tax profit	10,399	10,487	11,399	12,400
Tax	(2,477)	(2,517)	(2,736)	(2,976)
Minorities	(191)	(159)	(173)	(188)
Net profit	7,731	7,811	8,490	9,236
Net profit (adj.)	7,731	7,811	8,490	9,236

Operating Ratios

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	14.6	15.6	15.5	15.4
Total CAR	18.3	20.1	19.8	19.4
Total assets/equity (x)	10.9	10.9	11.0	11.1
Tangible assets/tangible common equity (x)	12.2	12.1	12.1	12.2
Asset Quality				
NPL ratio	2.1	2.2	2.3	2.3
Loan loss coverage	105.3	111.8	112.9	116.7
Loan loss reserve/gross loans	2.2	2.5	2.6	2.7
Increase in NPLs	(18.7)	6.2	9.6	6.5
Credit cost (bp)	31.0	28.0	25.0	25.0
Liquidity				
Loan/deposit ratio	89.1	88.0	88.3	89.0
Liquid assets/short-term liabilities	5.9	6.8	6.8	6.8
Liquid assets/total assets	4.2	4.8	4.7	4.5

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Cash with central bank	10,647	16,145	16,872	17,715
Govt treasury bills & securities	16,232	16,557	16,888	17,226
Interbank loans	5,168	5,638	6,151	6,711
Customer loans	442,163	449,917	469,469	492,306
Investment securities	194,389	217,758	243,822	272,892
Derivative receivables	15,022	16,825	18,844	21,105
Associates & JVs	2,335	2,452	2,574	2,703
Fixed assets (incl. prop.)	2,562	2,448	2,333	2,214
Other assets	66,612	72,711	79,513	87,104
Total assets	755,131	800,450	856,466	919,977
Interbank deposits	45,445	48,457	51,680	55,128
Customer deposits	496,394	511,286	531,737	553,007
Derivative payables	61,652	64,262	66,984	69,823
Debt equivalents	25,716	25,716	25,716	25,716
Other liabilities	55,085	75,491	100,506	131,452
Total liabilities	684,292	725,212	776,623	835,126
Shareholders' funds	69,444	73,683	78,115	82,935
Minority interest - accumulated	1,395	1,554	1,728	1,916
Total equity & liabilities	755,131	800,450	856,466	919,977

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	2.5	0.6	7.2	8.5
Fees & commissions, yoy chg	5.2	6.0	12.0	12.0
Pre-provision profit, yoy chg	6.5	(0.2)	6.9	8.4
Net profit, yoy chg	10.7	1.0	8.7	8.8
Net profit (adj.), yoy chg	10.7	1.0	8.7	8.8
Customer loans, yoy chg	3.0	1.8	4.3	4.9
Customer deposits, yoy chg	2.9	3.0	4.0	4.0
Profitability				
Net interest margin	2.29	2.25	2.26	2.27
Cost/income ratio	46.7	48.2	48.0	47.5
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.2	10.9	11.2	11.5
Adjusted ROE	11.2	10.9	11.2	11.5
Valuation				
P/BV (x)	2.5	0.6	7.2	8.5
P/NTA (x)	5.2	6.0	12.0	12.0
Adjusted P/E (x)	6.5	(0.2)	6.9	8.4
Dividend Yield	10.7	1.0	8.7	8.8
Payout ratio	10.7	1.0	8.7	8.8

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